

## Chapter Two

# State of Market and Small Towns in Nepal

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### INTRODUCTION

The role of market towns in the economic transformation of rural areas is well acknowledged (CDG 1994a, 1994b; Rondinelli and Ruddle 1978; Shrestha and Manandhar 1994). Small towns and market centres can act as effective and generative links between overcrowded cities and large urban centres and the rural hinterland. They act as storage and distribution centres in their respective resource context; provide support services, such as inputs and credit, that allow for the growth of secondary and tertiary activities; and generate off-farm employment (Sharma and Khanal 1996). As marketing linkages are strengthened, local and regional demands can induce the indigenous development of productive sectors and create conditions for augmenting farm production and development of small-scale industries. They also help to develop hierarchically integrated regional and national settlement systems. In spite of the significant role of market towns in the balanced development of the spacial economy, little attention has been directed to the assessment and promotion of market towns in Nepal.

This chapter attempts to review and assess the state of small towns and market centres in Nepal. Since the database on market and small towns is extremely limited, the analysis will draw heavily on the market town studies that have been conducted in the last few years by the Central Department of Geography, Tribhuvan University. In addition, the chapter will review and assess policies and programmes related to market towns, identify gaps in the existing research/policy/programme/action continuum, and indicate priority areas for research, policy, and programme action for the future.

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## URBAN GROWTH AND URBANISATION IN NEPAL

Nepal is a small country with a great diversity in biophysical and cultural features. It comprises five distinct physiographic regions: the High Himal, the High Mountains, the Middle Mountains, the Siwalik, and the Terai. For administrative purposes, the country has been divided into three ecological regions: the mountains, the hills, and the Terai (Figure 2). Between 1911 and 1991, the country's population more than tripled from 5.6 million to 18.5 million. The growth rate has remained at 2.10% per year in the last intercensal decade.

Migration resulted in a demographic shift from the hills to the Terai, especially during the 1960s and 1970s. However, migration to the Terai seems to have slowed in recent years and the most recent trend is an increasing flow towards urban areas. There is also some migration from the Terai to the hills where the potential for cash crops has been realised (CDG 1994c). Population distribution is given in Table 3. The high growth rate in the Terai reflects the trend of hill-to-Terai migration.

Table 3: Distribution of area and population by ecological regions

| Ecological regions | Percentage of area (%) | Percentage of population (1991) (%) | Population density |       | Annual rate of population growth (1981-1991) (%) |
|--------------------|------------------------|-------------------------------------|--------------------|-------|--|
|                    |                        |                                     | 1952/54            | 1991  |  |
| Mountains          | 35                     | 7.8                                 | na                 | 27.9  | 1.03   |
| Hills              | 42                     | 45.5                                | na                 | 137.3 | 1.63   |
| Terai              | 23                     | 46.7                                | 85                 | 253.6 | 2.78   |
| Nepal              | 100                    | 100                                 | 56                 | 125.6 | 2.10   |

Source: CBS (1995)

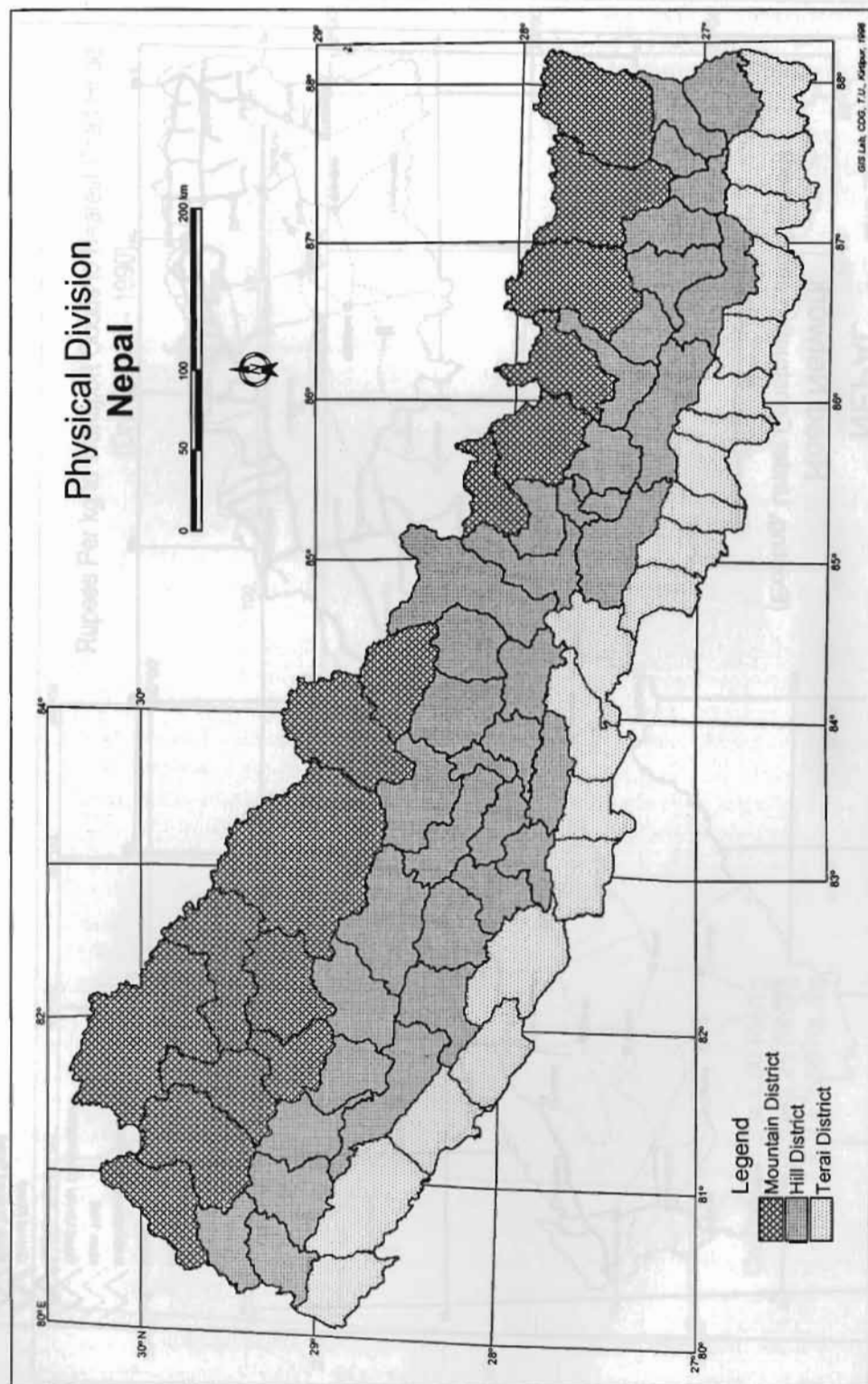
Of the 75 districts in the country, 16 districts lie in the mountains, 39 in the hills, and 20 in the Terai. Only five districts in the mountains are connected to roads. Thirty-four districts in the hills and all districts in the Terai are connected to the road network (Figure 3). Many hill and mountain districts are still inaccessible and some areas are a 10-day walk from the nearest roadhead (Figure 4).

At present, there are 58 municipalities in Nepal with an estimated 14% of the total population. The urban population increased from 6.4% in 1981 to 9.6% in 1991 (CBS 1995). In addition to these 58 municipalities, there are many small towns and market centres. However, the statistical database for these small towns and market centres is extremely limited.

### Historical growth of urban centres

There is evidence for the existence of towns in the Kathmandu Valley as far back as the Lichhavi period (100 BC to 1,000 AD). By the eleventh century, three principal settlements in the valley were being referred to as capital towns. Outside the valley, only a few settlements were mentioned as having had urban functions (GIC 1983). Urban areas were characterised by a relatively high concentration of people and distinct organisation of space.

During the medieval Malla period (1258-1768 AD), Nepal was divided into small principalities. The capitals of these principalities were loosely nucleated settlements



**Figure 2: Nepal's administrative boundaries**

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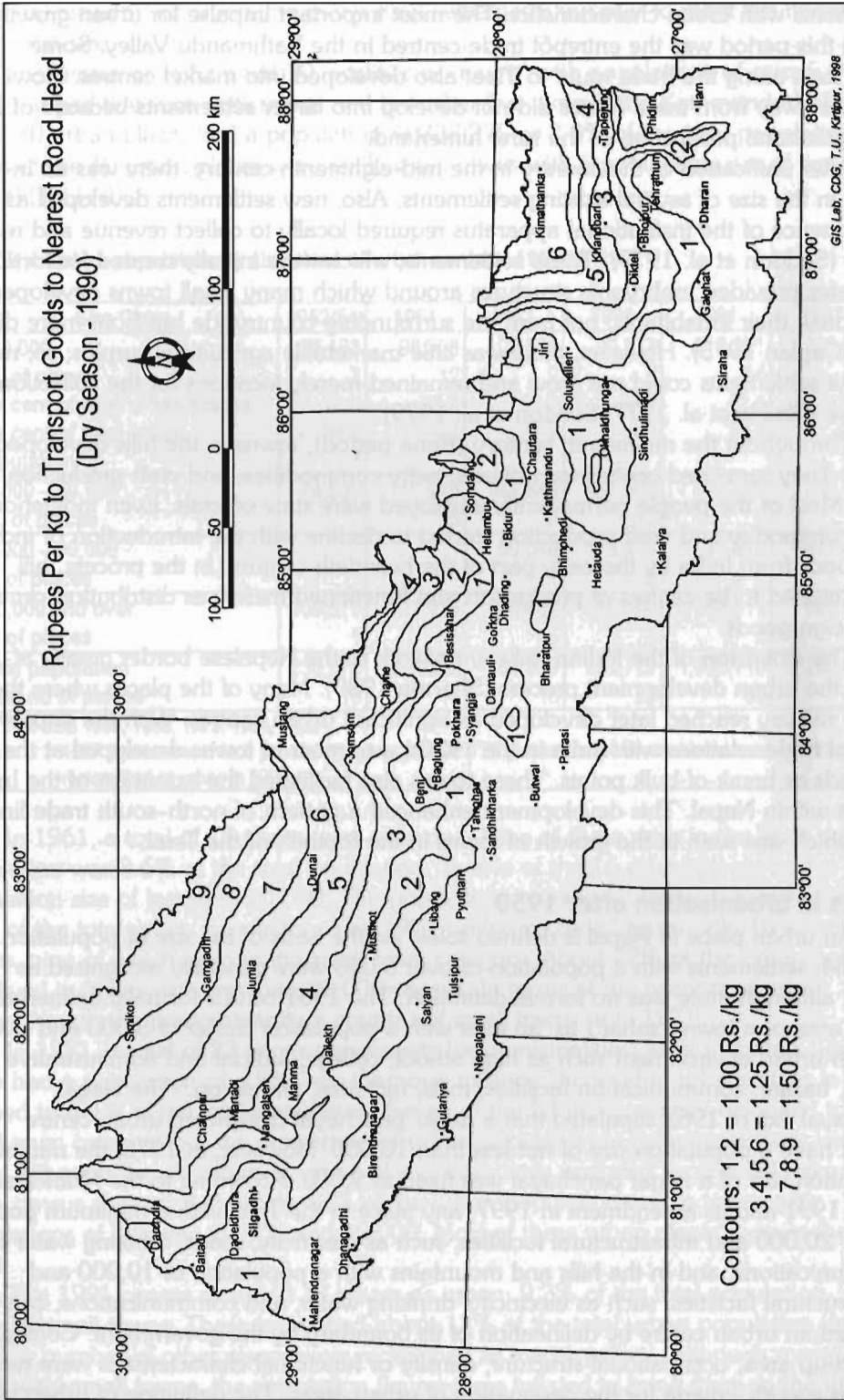


Figure 4: Iso-cost transport contours



amongst scattered peasant homesteads. A few among these later developed into larger settlements with urban characteristics. The most important impulse for urban growth during this period was the entrepôt trade centred in the Kathmandu Valley. Some settlements along the trade route to Tibet also developed into market centres. However, localities away from trade routes did not develop into larger settlements because of the low agricultural production of the rural hinterland.

After unification of the country in the mid-eighteenth century, there was an increase in the size of several existing settlements. Also, new settlements developed as a consequence of the institutional apparatus required locally to collect revenue and recruit troops (Seddon et al. 1979). These settlements, which were initially created for fortification, later provided embryonic structures around which many small towns developed. They drew their inhabitants, not from the surrounding countryside but from more distant parts (Caplan 1975). However, there was little marketable agricultural surplus; so, many of these settlements could not grow and remained merely locations for the collection of revenue (Blaikie et al. 1977; Seddon et al. 1979).

Throughout the nineteenth century (Rana period), towns in the hills developed slowly. They remained centres for artisans, petty commodities, and craft production and trade. Most of the people permanently employed were state officials. Even indigenous petty commodity and craft production started to decline with the introduction of industrial goods from India by the early part of the twentieth century. In the process, hill towns ceased to be centres of production and functioned merely as distribution centres for foreign goods.

The extension of the Indian railway network to the Nepalese border greatly affected the urban development process (Sharma 1989). Many of the places where the Indian railway reached later developed as significant urban centres. With the improvement of trade relations with India in the 1920s, a number of towns developed at the railheads or break-of-bulk points. These towns also facilitated the extension of the Indian market within Nepal. This development enhanced a pattern of north-south trade linkages which was seen in the growth of towns in the foothills of the Terai.

### **Trends in urbanisation after 1950**

An urban place in Nepal is defined solely on the basis of the size of population. In 1952/54, settlements with a population of over 5,000 were generally recognised as towns, although there was no formal definition. The 1961 census formally defined an urban area or a town ('sahar') as 'an area with a population cluster of 5,000 and over, with an urban environment such as high school, college, judicial and administrative offices, bazaar, communication facilities, mills, factories, and so on.' The Nagar Panchayat Act of 1962 stipulated that a nagar panchayat designated urban centre should have a population size of not less than 10,000. However, in 1976, the minimum population size of a nagar panchayat was fixed at 9,000. According to the Municipality Act of 1991 and its amendment in 1997, any place in the Terai with a minimum population of 20,000 and infrastructural facilities, such as electricity, roads, drinking water and communications, and in the hills and mountains with a population of 10,000 and infrastructural facilities, such as electricity, drinking water, and communications, can be declared an urban centre by delineation of its boundary by the government. Contiguity of built-up area, occupational structure, density or functional characteristics were never used as specific criteria for the designation of urban areas. The definition of urban places has been contingent on the size of population determined by a politico-administrative

process. Even places with limited urban functions have been designated as urban or municipal areas by incorporating many rural settlements in order to meet the minimum population size.

The census of 1952 listed 10 localities as 'towns' with populations of over 5,000. The Terai had five such settlements and the other five were in the Kathmandu Valley. These 10 urban places had a population of 238,275 or 2.8% of the total population. Seven of the 10 urban places were really small towns with a population size of less than 20,000 (Table 4).

Table 4: Urban population by size class of urban centres, 1952/54–1997

| Size Class                         | 1952/54 | 1961    | 1971    | 1981    | 1991      | 1997*     |
|------------------------------------|---------|---------|---------|---------|-----------|-----------|
| < 20,000                           | 57,193  | 98,258  | 102,638 | 90,573  | 217,901   | 338,980   |
| No. of places                      | 7       | 12      | 9       | 7       | 14        | 22        |
| Per cent of total urban places     | 70.0    | 75.0    | 56.2    | 30.4    | 42.4      | 37.9      |
| Per cent of total urban population | 24.0    | 29.2    | 22.2    | 9.5     | 12.8      | 14.9      |
| 20,000 – 49,999                    | 74,503  | 116,945 | 149,849 | 457,569 | 293,888   | 746,188   |
| No. of places                      | 2       | 3       | 5       | 13      | 8         | 8         |
| 50,000 – 99,000                    | -       | -       | 59,049  | 173,419 | 517,419   | 517,419   |
| No. of places                      | -       | -       | 1       | 2       | 8         | 8         |
| 100,000 and over                   | 106,579 | 121,019 | 150,402 | 235,160 | 666,511   | 666,511   |
| No. of places                      | 1       | 1       | 1       | 1       | 3         | 3         |
| Total population                   | 238,275 | 336,222 | 461,938 | 956,721 | 1,695,719 | 2,269,098 |
| Total no of places                 | 10      | 16      | 16      | 23      | 33        | 58        |

Source: CBS 1958, 1968, 1975, 1984, 1992

Note: \* 1997 figures are, in fact, population figures for 1991: 25 places that were considered rural in 1991 were reclassified as urban in 1997

In 1961, a total of 16 towns were recorded. Nine of these were in the Terai. Urban population was 3.6% of the total population. Twelve of the 16 urban places had a population size of less than 20,000. The population in these 12 towns comprised about 29% of the total urban population. The 1971 census recorded again only 16 urban places, nine of which were in the small town category. About 22% of the urban population lived in towns with less than 20,000 people. In terms of the number of urban places, Nepal was predominantly a country of small towns until 1971.

In 1981, a total of 23 nagar panchayats (or municipalities) were recorded. Together these had a population of a little less than one million. The level of urbanisation increased to 6.4% of the total population. Seven of the 23 urban centres belonged to the small town category but the proportion of urban population in these towns was less than 10%. Although the definition of urban places effectively excluded most small towns, the 1981 census showed that nearly 48% of the urban population was in towns with populations of between 20,000 and 50,000. Most of these urban places were in the Terai.

The 1991 census recorded 33 places as urban; 9.2% of the total population. There were 14 small towns. These towns had about 13% of the total urban population. In 1997, a number of other places were reclassified as 'nagar palika'. Although many of these were small towns, the population figures were inflated to bring them to the urban category by substantial over-bounding. In 1997, 58 areas were designated as urban.

They had a combined population of about 2.3 million or 12.2% of the population. Small towns had 15% of the total urban population. Of the 58 urban areas, 25 are in the hills, two in the mountains, and 29 in the Terai.

In the last five decades, the urban population of Nepal has grown from 2.8 to 12.2%. There have been substantial fluctuations in urban growth rates (Table 5). According to the census, the highest average annual growth rate of 7.55% was recorded during 1971-81. In terms of size class of urban centres, the over-bounding and under-bounding of urban areas in different census years has played havoc with a consistent explanation of the recorded fluctuations. During 1981-91, towns with a population of less than 20,000 recorded an average annual growth rate of 9.18% compared to an average of 5.89% for the urban population.

Table 5: Population change in urban centres by size class, 1952/54-1997

| Size class                               | Average annual growth rate |         |         |         |         |
|--|----------------------------|---------|---------|---------|---------|
|  | 1952/4-61                  | 1961-71 | 1971-81 | 1981-91 | 1991-97 |
| Less than 20,000                         | 7.0                        | 0.44    | - 1.24  | 9.18    | 7.64    |
| 20,000 - 49,999                          | 5.8                        | 2.51    | 11.81   | - 4.33  | 16.80   |
| 50,000 - 99,999                          | -                          | -       | 11.38   | 11.60   | na      |
| 100,000 and over                         | 1.83                       | 2.20    | 4.57    | 10.98   | na      |
| Total                                    | 5.04                       | 3.22    | 7.55    | 5.89    | na      |
| Source: CBS 1958; 1968; 1975; 1984; 1992 |                            |         |         |         |         |
| Note: na = not applicable                |                            |         |         |         |         |

## Regional distribution of urban centres

The regional distribution of urban centres is quite uneven. Of the 58 centres in 1997, only two are in the mountains. Of the remaining 56, 27 are in the hills and 29 in the Terai (Table 6 and Figures 5 and 6). Among the newly designated urban centres, a larger number are from the hills than from the Terai. Both the urban centres in the mountains are newly designated, so are 15 out of the 29 urban centres in the hills. Similarly, eight out of 29 in the Terai are new. There has been a tendency to designate more urban centres in the hills and mountains by incorporating areas that are largely rural in character. The population density, spacing of settlement, contiguity of built-up area and level of non-agricultural specialisation of the area have been ignored as principal criteria for the designation of municipal or urban areas.

The distribution of urban centres by development regions suggests that there is a relatively large concentration of centres in the eastern and central regions. Of the total urban centres, 34.5% lie in the central region and 24.1% in the eastern region. The western region has 20.7%. Mid-western and far western regions have 10.3% each. There is a concentration of urban centres in four eco-development regions comprising a contiguous block consisting of eastern Terai, central Terai, central hill and western hill; 63.8% of the urban centres belong to this block.

The trends in urbanisation and the regional distribution of urban centres indicate that urbanisation as a process picked up only in the 1960s. The eradication of malaria, availability of new land, increasing trade and commercial contacts with India, enhanced production potential, concentration of development investment through major development projects, and creation of infrastructure attracted people from both the hills and



Table 6: Distribution of urban centres by ecological zones and development regions, 1997

| Development regions   | Urban centres in each ecological zone   |   |               |             |
|-----------------------|---|---|---------------|-------------|
|                       | Terai   | Hills   | Mountains     | Total       |
| <b>Eastern</b>        | Mechinagar, Bhadrapur, Damak, Itahari, Dharan, Biratnagar, Inarwa, Rajbiraj, Lahan, Siraha (10) | Ilam, Dhankuta, Trijuga (3)   | Khandbari (1) | 14<br>24.1% |
| <b>Central</b>        | Janakpur, Jaleswor, Malangawa, Gaur, Kalaiya, Birgunj, Ratnanagar, Bharatpur (8)                | Kamalamai, Panauti, Dhulikhel, Banepa, Bhaktapur, Madhyapur, Lalitpur, Kathmandu, Kirtipur, Bidur, Hetauda (11) | Bhimeswor (1) | 20<br>34.5% |
| <b>Western</b>        | Ramgram, Butwal, Siddharthanagar, Taulihawa (4)   | Byas, Prithvinarayan, Lekhnath, Pokhara, Putalibazar, Waling, Baglung Tansen (8)                                | -             | 12<br>20.7% |
| <b>Mid-western</b>    | Tulsipur, Tribhuvannagar, Nepalgunj, Gulariya (4)   | Birendranagar, Narayan (2)  | -             | 6<br>10.3%  |
| <b>Far Western</b>    | Tikapur, Dhangadi, Mahendranagar (3)  | Dipayal, Amargadhi, Dasharathchand (3)  | -             | 6<br>10.3%  |
| <b>Total (number)</b> | (29)  | (27)  | (2)           | (58)        |
| <b>percentage</b>     | 50.0%   | 46.6%   | 3.4%          | 100%        |

Source: CBS (1998)

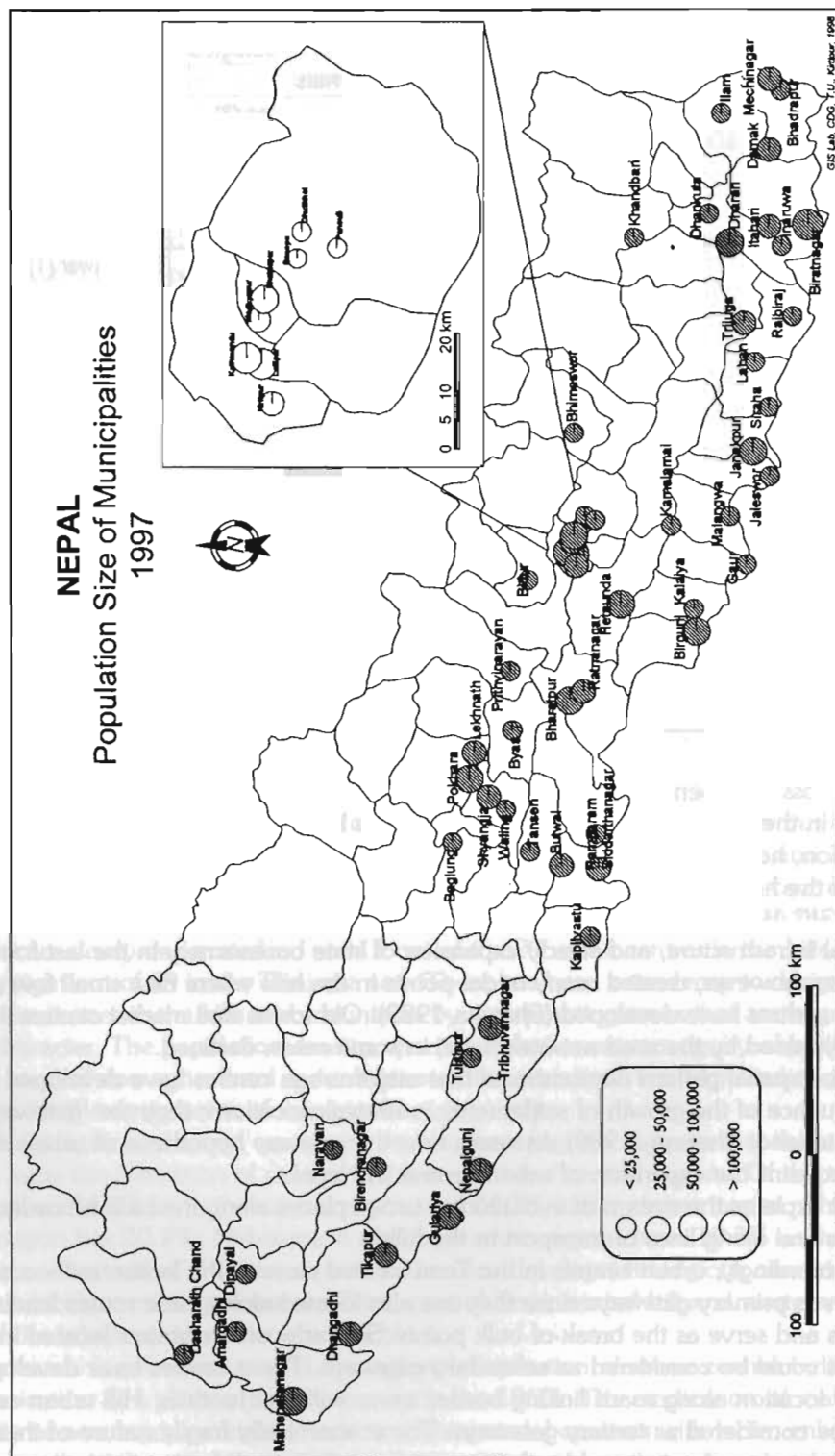
from across the open border to the Terai. As a result, the urban population increased rapidly in the Terai and urbanisation shifted from Kathmandu Valley to the Terai. The hill region, however, did not experience similar growth because of the poor resource base of the hinterland, problems of access, and limited potential for off-farm employment (GIC 1983; Manandhar 1993). Development of a road network, creation of physical infrastructure, and steady expansion of state bureaucracy in the last four decades has, however, created many nodal points in the hills where new small towns and market centres have developed (Sharma 1989). Old towns and market centres that have been bypassed by the road network have, in some cases, declined.

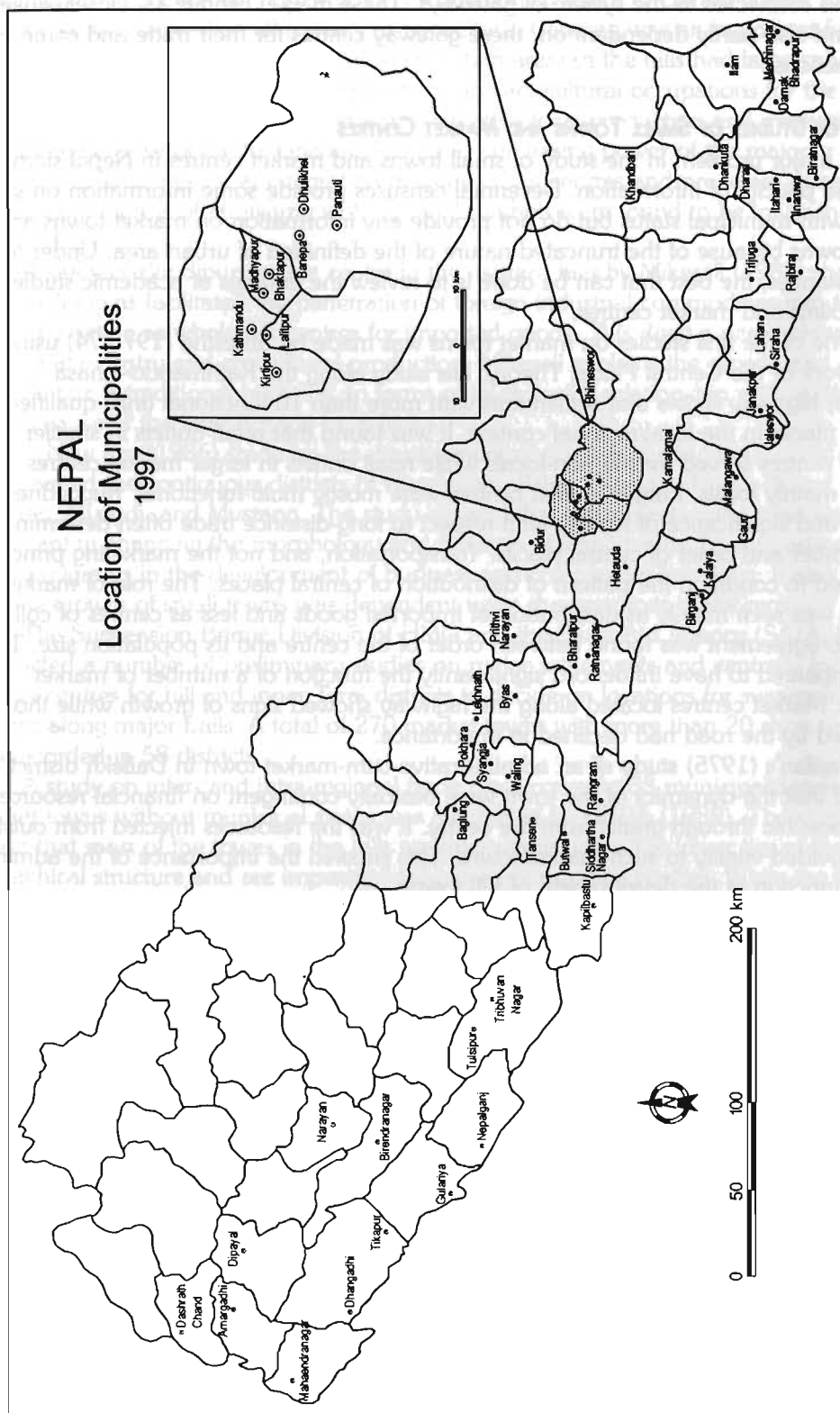
The spatial pattern demonstrates that major urban centres have developed as a consequence of the growth of settlements in strategic locations; they are 'gateways' to the hinterland. Sharma (1989) discusses how the gateway hypothesis of urban development explains the expansion of urban centres in Nepal:

'It explains the system of evolution of urban places along the Indian border, in the foothills and along lines of transport in the hills'.

Accordingly, urban centres in the Terai located close to the Indian railheads could be seen as primary gateways since they are also located along trade routes leading to the hills and serve as the break-of-bulk points. Similarly, urban centres located in the foothills could be considered as secondary gateways. These centres have developed due to their location along roads linking border towns with the foothills. Hill urban centres could be considered as tertiary gateways. The economically fragile nature of these tertiary gateways is witnessed by their greater sensitivity to infrastructural alignment and administrative decisions. Market and small towns have developed along road and trail

**Figure 5: Population size of municipalities, 1997**





networks connected to the system of gateways. These market centres are closely linked with, and also partly dependent on, these gateway centres for their trade and commercial functions.

## **REVIEW OF STUDIES OF SMALL TOWNS AND MARKET CENTRES**

A major problem in the study of small towns and market centres in Nepal stems from the paucity of information. Decennial censuses provide some information on small towns with municipal status but do not provide any information on market towns and small towns because of the truncated nature of the definition of urban area. Under the circumstances, the best that can be done is to review the findings of academic studies on small towns and market centres.

One of the first studies on market towns was made by Shrestha (1973/74) using the framework of the Central Places Theory. His study along the Kathmandu-Lhasa (Arniko) highway shows that settlements with more than 10 functional units qualified as central places in the local/regional context. It was found that retail outlets in smaller market centres served mainly non-locals while retail outlets in larger market centres served mainly locals. Larger market centres were mostly multi-functional. Ruggedness of terrain and significance of locality with respect to long-distance trade often determined the number and order of central places. Transportation, and not the marketing principle, appeared to condition the pattern of distribution of central places. The role of market centres was seen mainly as distribution of imported goods and less as centres of collection. No agreement was found between order of the centre and its population size. The road appeared to have influenced significantly the function of a number of market centres. Market centres located along the highway showed signs of growth while those bypassed by the road had declined in importance.

Caplan's (1975) study of an administrative-cum-market town in Dailekh district showed that the dynamics of the town were basically contingent on financial resources made possible through grants from the centre. It was the resources injected from outside that provided vitality to such market towns. This showed the importance of the administrative function in the development of hill towns.

Studies on the impact of roads on the settlement system and market towns in west central Nepal by Blaikie et al. (1976; 1980) show that expansion of bureaucracy, increases in trade, and construction of highways are the three major motivators in the growth of market centres. These studies showed a decline in petty manufacturing in many market towns after the opening of roads as a result of competition from imported goods. Catering appeared as a major economic activity in many of the towns. There was also a concentration of resources at the hands of the entrenched merchant class who, in collaboration with local bureaucracy, have been able to derive effective advantage. Agricultural productivity had stagnated in the absence of capitalist development and market towns had not been able to transform the economic base of surrounding rural areas. A study in the western hills by Messerschmidt (1980) showed that the gateway function of hill towns, in general, and market towns, in particular, declined if the road bypassed the town. In such an event, new gateway towns developed along the road.

An exploratory study to understand the role of small urban centres in national development was conducted by the Geography Instruction Committee, Tribhuvan University, in 1984 in the two districts of Kabhrepalanchok and Bara (GIC 1984). The study concluded that the location of small urban centres is determined by transport and trade routes, either modern or traditional. None of the market centres in the study area

conforms to the theoretical norms of the hierarchical structure of central places. The main economic base of small towns was agriculture. Catering was an important function in towns located along the road. Even small urban areas in the hills had large spheres of influence and provided some employment in non-agricultural occupations for the local population. The role of market centres in integrating local production and marketing was not visible because of the low income level and purchasing power of the majority of the population. Similarly, social integration in small urban centres and processes of national integration in terms of familiarity with national symbols were found to be lower than expected.

A study of Bandipur market centre in the western hills by Mikesell (1988) shows that small towns facilitated the penetration of foreign industrial commodities into the hill region by acting as wholesale centres for imported goods. This dealt a death blow to traditional industry and agricultural production. Mikesell explains the growth and decline of Bandipur, a traditional hill town, in terms of its changing relationship with its hinterland because of the import trade from India.

A New Era (1986) study on the development of small towns in the Gandaki growth axis covered the contiguous districts of Rupandehi, Palpa, Syangja, Kaski, Parbat, Baglung, Myagdi, and Mustang. The study showed that the impact of the road was significant in changing the morphology and function of small towns. It emphasised the role of migrants in the development of business and commercial functions. It also stated that the growth of small towns was dependent upon the resources of the region.

The Suspension Bridge Division of HMG and the Swiss Aid Agency (SATA) have conducted a number of preliminary studies on major settlements and centrally located market centres for hill and inner Terai districts to decide on locations for suspension bridges along major trails. A total of 270 market towns with more than 20 shop units was recorded in 58 districts.

A study on inter- and intra-regional trade flows covering 33 municipalities and 18 market towns without municipal status was conducted by CEDA (1989). The study shows that most of the towns in the hills and mountains are in the lower tier of the urban hierarchical structure and are important only as administrative centres. While the inter-regional flow of people and goods between the hills and mountains and the Terai was found to be significant, the flow of goods was predominantly from the south to the north. The trade picture shows that, with the exception of small towns coming under the influence of Kathmandu and Pokhara, all other hill towns were completely dependent on the Terai. Hill towns without road access rarely acted as bulking points and the mobilisation of local resources through these towns was minimal.

Investigation of the nature of the urban-rural relationship between a small town and its hinterland was made by Bajracharya (1994). It shows that difficult and rugged mountain terrain was a constraint for physical, social, and economic linkages. In terms of marketing linkages, small towns play an important role in the distribution of daily essential items for food-deficit hill and mountain areas. Their role as collection centres for village produce, however, remains limited. With regard to employment, most jobs were low paying and lacked security of tenure. Some activities, such as dairies, had beneficial effects on urban-rural linkages. Provision of services, such as credit and fertiliser supply, and extension facilities was found to be a region-serving function catering primarily to hinterland villages. This had helped farmers from surrounding areas to grow cash crops and increase rural income. However, most benefits went to comparatively more well-off villagers.



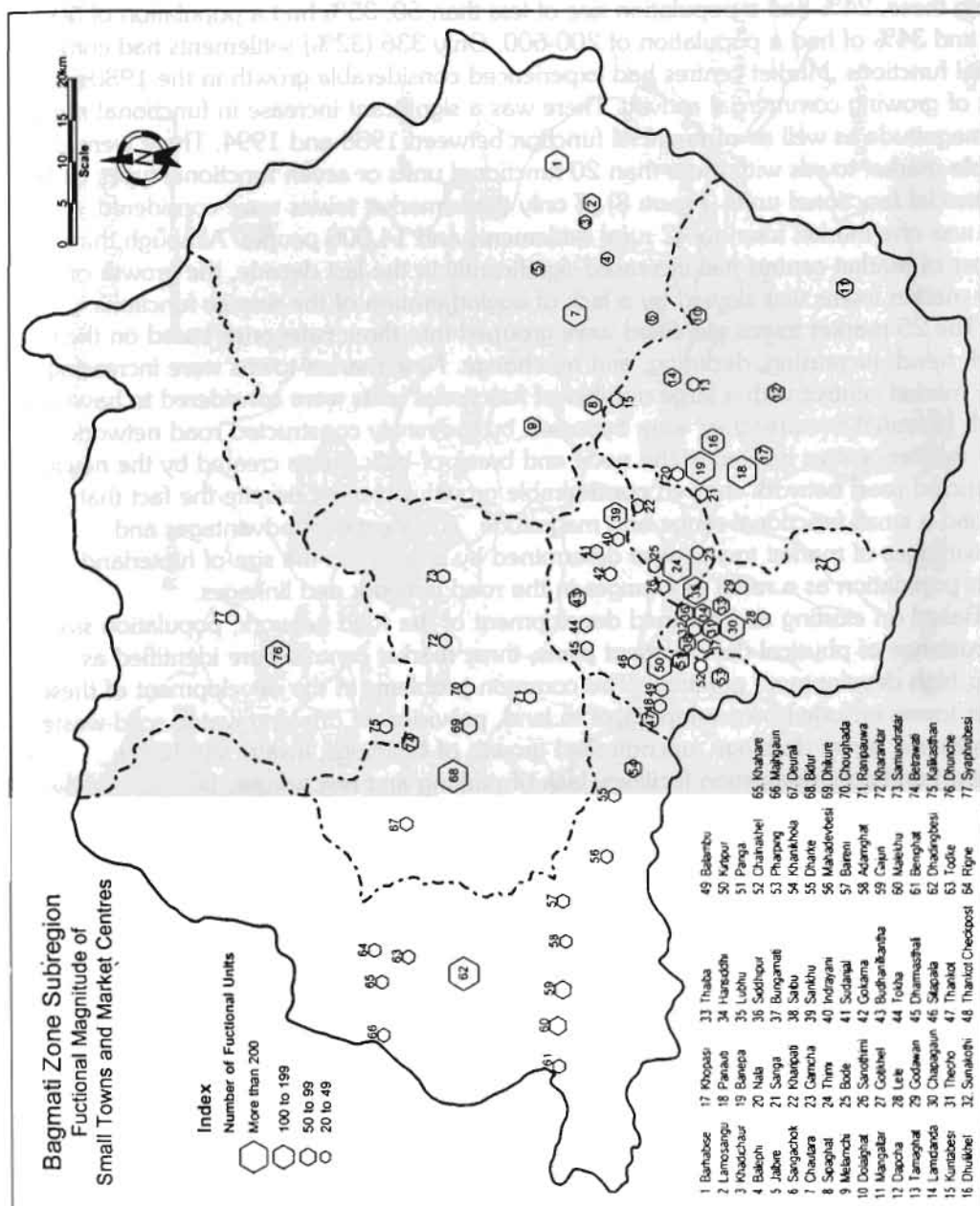
Settlement systems, small towns, and market centres covering eight hill districts of Bagmati zone were studied in 1994 by Shrestha and Manandhar. The study identified 10,121 rural settlements, 197 towns (including Kathmandu, Bhaktapur, and Lalitpur) and market centres, and 283 central places without commercial activities. Out of 197 towns and market centres (excluding Kathmandu, Bhaktapur, and Lalitpur), only 77 had more than 19 functional units (Figure 7). The ratio of small towns and market centres to rural settlements was 1:137. Using three parameters—functional magnitude, functional array (range), and population size—market towns were classified into four orders. There were three market centres at the top of the hierarchy with more than 200 functional units, functional range greater than 11, and a population greater than 10,000. The number of second-order market towns with functional units between 100 and 199, a functional range greater than 10, and a population of more than 1,000 was 19. There were 17 third-order market centres with functional units between 50 and 99, a functional range greater than seven, and a population of more than 400. The remaining 48 fourth-order market centres had between 20 and 49 functional units and a population of less than 400. A feature noticed in these studies was the relatively large number of functions represented in even small market centres, mainly as a result of increasing accessibility, recent efforts to exploit the local agricultural resources in a more intensive manner, and development of other services such as education, health, postal extension, and administrative activities.

The study shows that market centres were concentrated in a few areas. As a result, integration in the settlement system was weak. Two factors—market and route—were involved in the determination of the locational pattern of market centres. The market factor was dominant where local trade was important and the route factor was dominant where long distance traffic played a more important role.

The size of threshold population and the distance that consumers were willing to cover for visiting market centres of specific grades were also estimated. Average threshold population of the first-order market towns was 195,000 within a distance of 34 km. For second-order towns, population was 39,000 and distance 10 km. For third- and fourth-order towns population was 20,000 and distance 5 km. Threshold population size ranged from 7,500 for secondary school education to 12,400 for banking, and 25,600 for retailing.

The study showed that small towns and market centres played a significant role in the growth of local and regional output by providing technical know-how, distributing inputs (improved seeds and fertilisers), and facilitating marketing activities. They also provided off-farm employment and social services. There were still a number of structural, functional, and infrastructural gaps. There were extensive areas without any market centre and development was constrained by scattered population distribution and poor accessibility. Many local market centres did not have a strong commercial base. Many market towns were still dependent on agriculture for sources of employment, although tertiary and manufacturing activities were increasing. Nodal points had been ignored when locating education, health, and communication services. Also the quality and efficiency of services in many market towns were inadequate. Local people have to commute long distances to get such services. Many market centres suffered from lack of basic facilities such as drinking water. Other facilities such as surface drainage, solid waste disposal, and street lighting are lacking.

The study showed that much of the growth of market centres is an outcome of the operation of market forces. However, government can play a role as facilitator by developing and improving the road network; enhancing centrality and the range of



service through field and extension offices; improving infrastructural facilities; and developing the local economy through critical investments.

An action-oriented assessment of market towns in Dang district was made through an ICIMOD programme (CDG 1994a; 1994b). Dang district covers parts of the middle hills and the Inner Terai in the mid-west of Nepal. The study identified 1,060 settlements. Among these, 24% had a population size of less than 50; 35% had a population of 50-199; and 34% of had a population of 200-600. Only 336 (32%) settlements had commercial functions. Market centres had experienced considerable growth in the 1980s as a result of growing commercial activity. There was a significant increase in functional range and magnitude as well as commercial function between 1988 and 1994. There were 25 sizeable market towns with more than 20 functional units or seven functional types or 10 commercial functional units (Figure 8). If only these market towns were considered, there was one market town to 42 rural settlements and 14,000 people. Although the number of market centres has increased significantly in the last decade, the growth of many market towns was slowed by a lack of agglomeration of the service functions.

The 25 market towns identified were grouped into three categories based on their growth trend: increasing, declining, and no change. Nine market towns were increasing. A few market centres with a large number of functional units were considered to have no growth potential because they were bypassed by the newly constructed road network. Other market centres located at the node and break-of-bulk points created by the newly constructed road network showed considerable growth potential despite the fact that they had a small functional range and magnitude. The locational advantages and disadvantages of market towns were determined by changes in the size of hinterland and its population as a result of changes in the road network and linkages.

Based on existing and planned development of the road network, population size, and existence of physical development plans, three market centres were identified as having high development potential. The common problems in the development of these market towns included ownership rights to land, provision of drinking water, solid-waste management, street drainage, uncontrolled growth of buildings, insufficient health, sanitation and communication facilities, lack of parking and rest houses, lack of income-generating activities, and absence of local-level institutions to orient development initiatives. The study emphasised the need for institutions at the local level for market town development, a road transport master plan, and a system for creating and updating basic data on market towns.

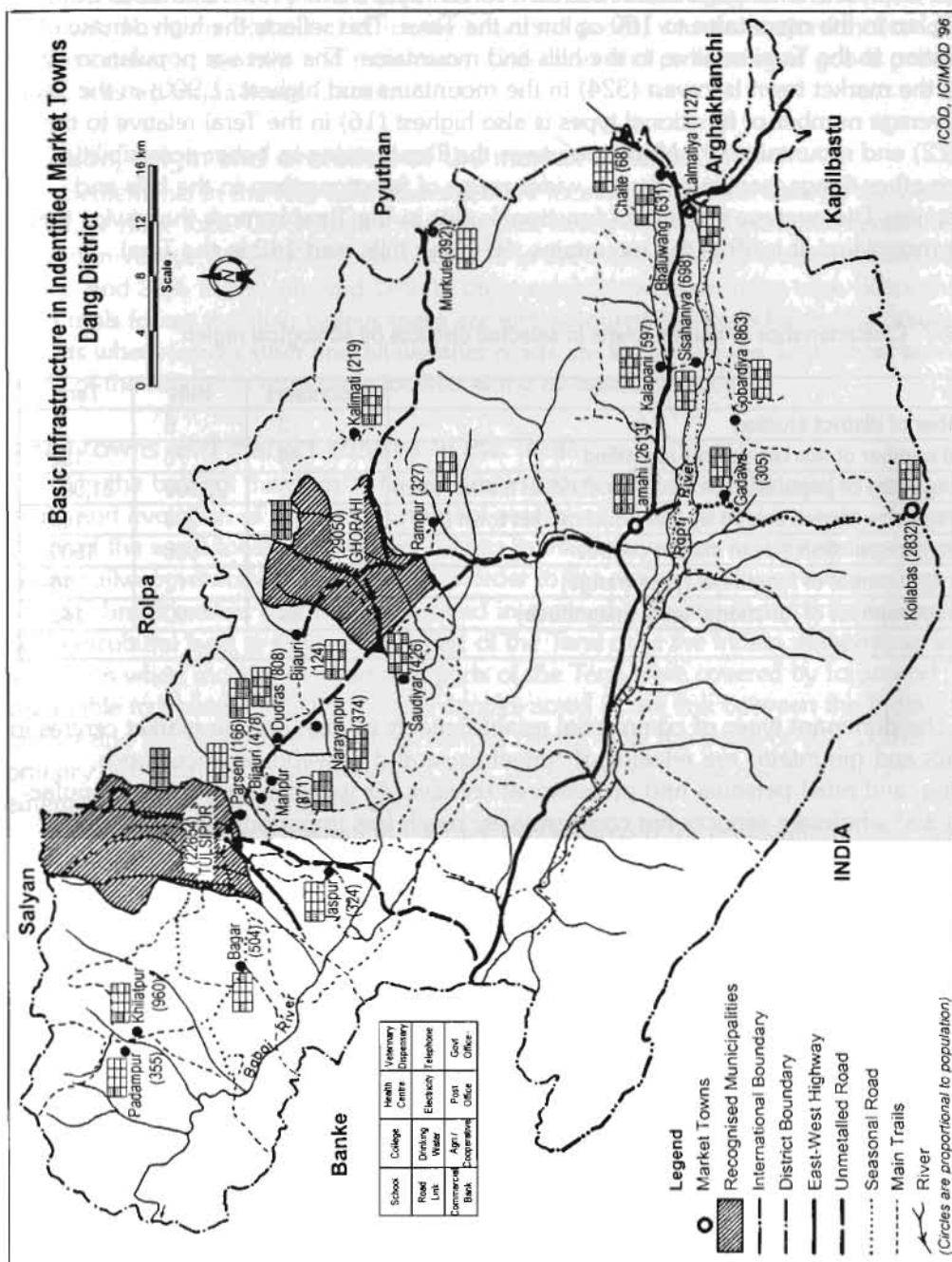
An outcome of this exercise was the interest shown by the Government of Nepal in pursuing market town studies. The following section presents the state of market and small towns in Nepal based on the findings of studies in 17 districts.

#### **STATE OF SMALL TOWNS AND MARKET CENTRES: FINDINGS OF DISTRICT STUDIES**

The selection of districts was made by the Department of Housing and Urban Development, and covered the three major ecological belts of the country (CDG 1994-98). Market centres with more than four commercial units in the mountains, more than nine in the hills, and more than 19 in the Terai were considered.

#### **Characteristics of market centres: population, functional range and functional magnitude**

Characteristics of more than 109 market towns in the hills and mountains and 120 market towns in the Terai were investigated. Characteristics relating to population size,



functional range, and magnitude are presented in Table 7. The average size of population served by a market town is about 10,000 in the mountains, 22,000 in the hills, and 31,000 in the Terai. A reverse trend is found in average size of area served by individual market centres. The average size of the area served by a market town decreases from 221 sq.km in the mountains to 160 sq.km in the Terai. This reflects the high density of population in the Terai relative to the hills and mountains. The average population size within the market town is lowest (324) in the mountains and highest (1,900) in the Terai. The average number of functional types is also highest (16) in the Terai relative to the hills (12) and mountains (9). Market towns in the Terai, owing to better accessibility among other things, generally have a wider range of functions than in the hills and mountains. The average number of functional units in the Terai is more than twice that in the mountains. It is 59 in the mountains, 60 in the hills, and 142 in the Terai.

Table 7: Characteristics of market towns in selected districts by ecological region

|  | Mountains | Hills  | Terai  |
|--|-----------|--------|--------|
| Number of district studied   | 3         | 6      | 8      |
| Total number of market centres identified                                | 34        | 75     | 122    |
| Average size of population served by individual market town              | 10,000    | 22,000 | 31,000 |
| Average size of area served by individual market town (km <sup>2</sup> ) | 221       | 206    | 160    |
| Average population size in market centres                                | 324       | 666    | 1900   |
| Average number of functional types (range)                               | 9         | 12     | 16     |
| Average number of functional units (magnitude)                           | 59        | 60     | 142    |

Source: CDG (1994-98)

The dominant types of commercial establishments in many of the market centres in the hills and mountains are retailing of convenience and non-convenience goods, catering, and retail personal and professional services. As would be expected, manufacturing and wholesale services are comparatively much less important. Out of a total of 28 comparable market centres in the hills with complete information on functional units, for 11% of market centres more than 50% of the functional establishments were retail shops. Similarly, for 25% of market centres more than 30% of the functional units were tea stalls, hotels and restaurants (Table 8). Only 32% provided wholesale services. Less than 10% of the functional units were for manufacturing.

Market towns in inaccessible mountain districts depend on retail services and catering. Institutional functions often provide the basis for the demand for these services.

Table 8: Functions of 28 comparable market centres in hill districts

| Functional type                                | > 50 % | 30-50% | 10-30% | < 10% | Total |
|--|--------|--------|--------|-------|-------|
| Retail (convenience and non-convenience goods) | 11     | 57     | 32     | 0     | 28    |
| Hotels/tea stalls/restaurants                  | 7      | 18     | 71     | 4     | 28    |
| Manufacturing                                  |        |        |        | 86    | 24    |
| Retail personal and professional services      |        |        | 71     | 25    | 27    |
| Institutions and services                      |        | 18     | 21     | 39    | 22    |
| Wholesale                                      |        |        |        | 32    | 9     |

Source: CDG (1994-98)



This is typified by the market towns of Jumla district, a remote mountain district in Far Western Nepal. In over two-thirds of the 14 market centres, over 50% of the establishments were engaged in retail and catering services. Also, 12 market centres provided institutional services. Only two market centres had manufacturing units and none had wholesale functions. Retailing, of mostly imported goods, was the major function of market centres in the hills and mountains. Collection and processing of goods produced locally was an insignificant function.

### **Location, origin and evolution of the market centres**

Settlements in the hills and mountains are located along river valleys, mountain slopes, or ridge tops. CDG studies revealed that nearly 59% of the market centres are located in valleys; 18% in the hills, and 27% in the mountains are located on mountain slopes; and 24% in the hills and 14% in the mountains were on ridge tops. Since the main trails follow the river valleys these are also favoured locations for market towns in districts where fair-weather and all-weather roads are limited. In the Terai, over two-thirds of the market centres were located along all-weather roads.

### **Small towns and market centres in the Terai**

On the basis of the district studies, some generalisations can be made regarding the origin and evolution of small towns/market centres and their spatial linkages. The emergence of the small towns and market centres in the Terai began with the extension of the Indian railway network to the Nepalese border in the early decades of the twentieth century. Small market centres were located in areas of population concentration with rich agricultural land in the southern part of the Terai near the Indian railheads well into the 1950s when most of the northern parts of the Terai were covered by forest and vulnerable to malarial infection. These centres acted as the link between the Indian market and the hills. All major urban centres characterise the break-of-bulk points and primary gateways to Nepal (Sharma 1989). Several small towns and market centres emerged, particularly along the border.

The eradication of malaria in the mid-1950s allowed for exploitation of the agricultural potential of the Terai and encouraged migration from the hills. The period experienced the expansion of settlements and agriculture into areas that hitherto had been densely forested. This process led to the development of several settlements at nodal points of major trails, cart tracks/motorable roads that served a relatively large population and had extensive agricultural hinterland. The gradual transformation of these settlements, especially those of the eastern and central Terai, into small trading centres was contributed to by regular 'hats' (weekly markets). The trading and other functions of these centres were further strengthened by the location of several government establishments and service institutions. The extension of the 'hulaki' (postal) road joining the nodal settlements in the central part of the Terai also helped this process.

The eradication of malaria generated a phenomenal migration from the hills to the Terai. Subsequent expansion of the road network resulted in the northward shift of the break-of-bulk points. This was later hastened by the opening of the East-West highway and feeder roads to the hill districts. With the exception of large towns, the trading importance of the market centres in the southern Terai declined as a consequence. Those that were favourably located remained as small border markets occasionally taking advantage of local (neighbouring) Indian customers and markets.

The construction of the East-West highway and its feeder/branch roads brought about notable changes in the overall spatial pattern. Out of 122 small towns and market centres identified from eight districts of the Terai, about 48% are associated with the highway. Of the total, about 39 market centres are directly on the highway and about 27 centres are linked to it. Most of the old market centres linked to the highway have developed into sizeable towns. Centres at the junction of the feeder/district road and highway, and at the major roadheads with extensive hinterland, have enjoyed the additional advantage of transportation nodality. Since they have a greater range of functions and are facilitated by the alignment of existing road and other institutional infrastructure, the potential for further growth of these centres remains high.

### **Small towns and market centres in the hills and mountains**

The evolution of urban centres in the hills and the subsequent spatial pattern are a consequence of the growth of settlements in strategic locations or entrances to the hinterland as 'gateways'. Two types of market centres can be identified based on the pattern of the location and their trading relations. The first set evolved as central locations with respect to their hinterland. The function of these small trading centres is limited to trading and professional services for their respective hinterlands. The second set emerged owing to their location along major traditional routes of medium- and long-distance trade. In these cases, the transport route network has been the principal factor influencing the origin and location of the market centres.

The role of administrative and political factors seems to have influenced the emergence and distribution of market centres in the hill and mountain regions. All district headquarters and most *ilaka* (divisional) centres were found to be small towns or major market centres. The origin and evolution of some market centres can be traced to their medieval history when they enjoyed the status of capital/headquarters of a feudal principality or a military garrison. Subsequently, with other locational advantages, they have retained their status of market centres. Centres of religious and cultural significance also evolved as small towns and market centres owing to the regular flow of pilgrims.

The expansion of the network of highways, feeder roads, and fair-weather roads in the last two decades has impacted the growth of market centres in the hill districts. Roadheads have often developed as market centres. The rise and growth of these market centres have resulted in the stagnation and decline of several old market centres that were not connected by road. However, most of the old centres that were linked by roads have expanded their range and magnitude of functions and have claimed a larger hinterland. However, these break-of-bulk points can be easily dislocated with the extension or realignment of roads. This tendency is a characteristic feature of many transport-oriented market towns in the hills and mountains.

Many market centres thrived on long-distance trade with Tibet in the past. The decline in traditional Nepal-Tibet trade after 1959 impacted the status of these market centres. In recent decades, the extension of the road and its alignment has influenced the emergence, growth, and importance of the market centres because of the changed direction of the flow of traffic.

The hierarchical structure of market centres in the selected districts is given in Table 9. The criteria for ordering the market centres differed from district to district and was relative to the largest market centre in the district. Figures for different districts, therefore, are not strictly comparable. However, the table shows that there is a gap in the hierarchical structure of market centres, particularly in the hills and the mountains. In many

Table 9: Number of market centres by order

| Districts                | Order of market centres |    |     |    |    | Total |
|--------------------------|-------------------------|----|-----|----|----|-------|
|                          | I                       | II | III | IV | V  |       |
| <b>Hill districts</b>    |                         |    |     |    |    |       |
| Myagdi                   | 1                       | -  | 3   | 7  | 5  | 16    |
| Dandeldhura              | 1                       | -  | 3   | 4  | -  | 8     |
| Doti                     | 1                       | 1  | 4   | -  | -  | 6     |
| Gulmi                    | 1                       | 3  | 8   | -  | -  | 12    |
| <b>Mountain district</b> |                         |    |     |    |    |       |
| Jumla                    | 1                       | -  | 3   | 10 | -  | 14    |
| <b>Terai districts</b>   |                         |    |     |    |    |       |
| Chitwan                  | 1                       | 2  | 10  | 8  | -  | 21    |
| Rupandehi                | 1                       | 13 | -   | -  | -  | 14    |
| Saptari                  | 1                       | 1  | 3   | 2  | 13 | 20    |
| Banke                    | 1                       | 1  | 2   | 5  | -  | 9     |

Source: Source: CDG (1994-98)

districts, there is no second-order market centre. There is one big market centre, the district headquarters in many cases, and many lower-order market centres with local importance.

The pattern of distribution of market centres in selected districts (Manang in the mountains Makwanpur in the hills and Inner Terai, and Saptari in the Terai) is given in Figures 9, 10, and 11. The nearest neighbouring market centre ranges in distance from one to 15 km. The average nearest neighbouring market centre is six km. Market centres in some areas are extremely clustered, whereas in other areas they are far apart. Clusters of market centres are found in two situations—along river valleys with dense populations and along the roads and major trails. The nearest neighbouring market distance in these areas is less than two km. In areas, particularly in the Terai, where modernised agriculture is introduced, the distribution of market centres shows a distinct pattern.

The spatial linkages of the small towns/market centres take place in two ways: interaction of market centres with the surrounding rural area; and the interaction between market centres, i.e., the interaction based on functional specialisation among market centres.

The linkage between most market centres in the remote hills and mountains with the hinterland is weak owing to the low productive capacity of rural areas and the low level of services available in the market centres. These hinterlands have little to sell in the local markets. However, along road corridors linked to higher order urban areas, market centres have played a significant role in the market-oriented production of vegetables, fruits, crops, and livestock.

The spatial linkages in terms of interaction between market centres, in all ecological belts, are generally found to be weak. This is mainly because of the absence of functional specialisation based on the production potentials of the locality or the hinterland. The functional linkages of these centres are limited to those with a major urban centre whose wholesale trade serves the respective regional hinterlands. Such trade interaction between the small market centres and major urban centres is generally one-way traffic, as the former only receive trading goods and have little with which to reciprocate.



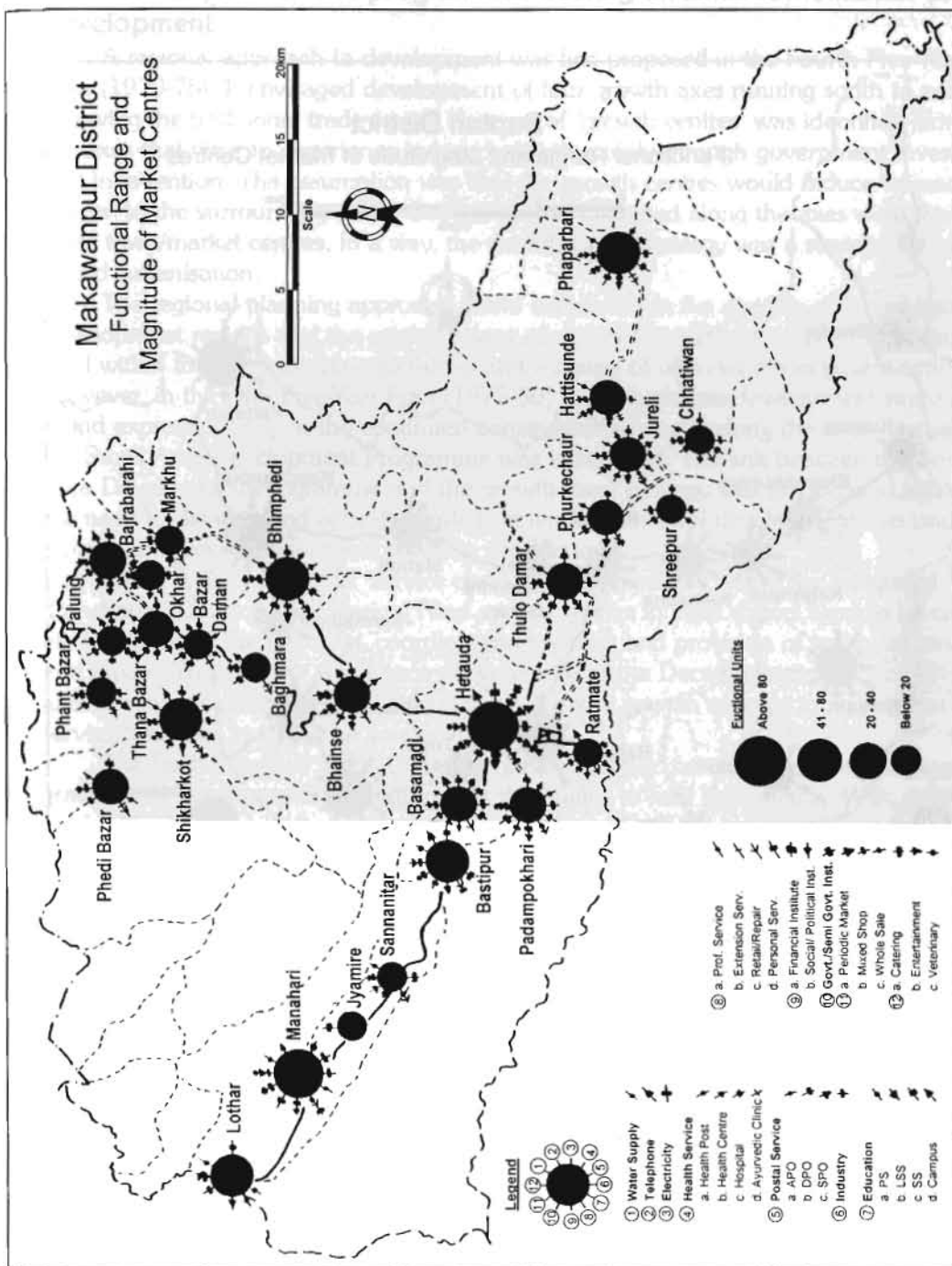
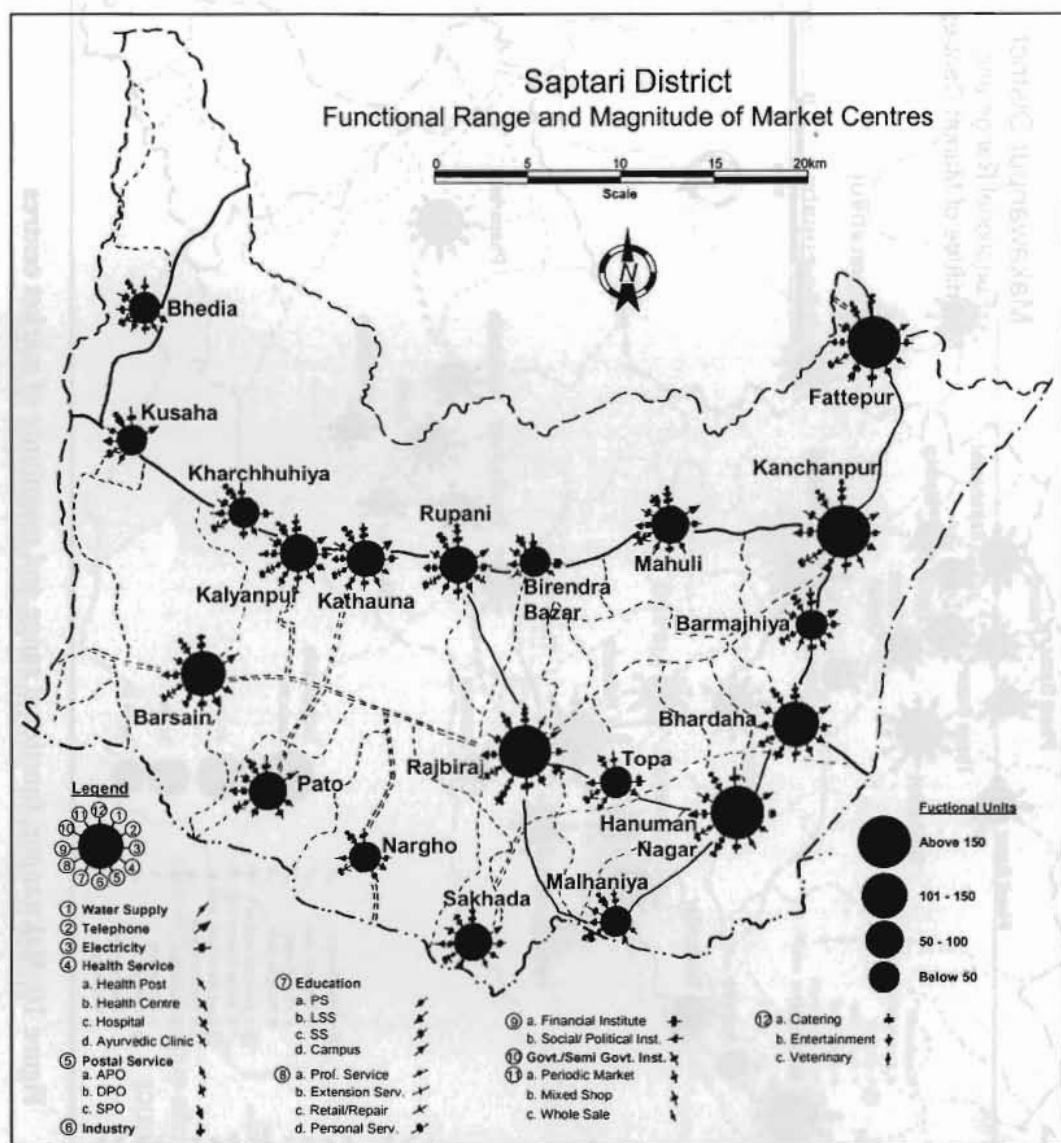


Figure 10: Makawanpur, functional range and magnitude of market centres





**Figure 11: Saptari, functional range and magnitude of market centres**

### Evolution of policies and programmes bearing on small town/market centre development

A regional approach to development was first proposed in the Fourth Five-Year Plan (1970-75). It envisaged development of four growth axes running south to north following the traditional trade routes. A series of 'growth centres' was identified along the axes that were to experience induced growth mainly through government investment and intervention. The assumption was that the growth centres would induce 'spread effects' to the surrounding areas. Growth centres identified along the axes were mostly small town/market centres. In a way, the growth centre strategy was a strategy for induced urbanisation.

The regional planning approach found expression in the division of Nepal into development regions and the establishment of regional headquarters as an important level within the administrative hierarchy and a centre of regional development activity. However, in the Fifth Five-Year Plan (1975-80) the growth axis/development strategy found expression only in the continued construction of roads along the axes. Instead, the Small Area Development Programme was introduced. The link between the Small Area Development Programme and the growth axes' strategy was not explicit, although the need to develop and activate market settlements for rural development was understood. However, there were no concrete programmes.

In 1978, the concept of 'service centres' was introduced under the Integrated 'Panchayat' Development Design. Nine service centres in each district were to be created to facilitate the planning, coordination, training, and provision of technical services and inputs. This concept was later incorporated into the Decentralisation Act of 1982/83 and Decentralisation Rules and Regulations, 1984. It was an attempt to agglomerate service functions in particular central locations.

The Sixth Five-Year Plan (1980-85) pursued a basic needs' approach with integrated rural development programmes as the means to fulfil basic needs. With respect to market towns, the policies pursued previously were continued but, again, not backed up with programmes.

The Seventh Five-Year Plan (1985-90) for the first time articulated a policy of urban development that was seen as complementary to rural development. It envisaged the development of a three tier urban hierarchy—regional urban centres, sub-regional urban centres, and service centres. However, the process of selecting urban centres for development and the mechanism of development envisaged were not explained. Establishment of nine service centres for each district, envisaged under the Decentralisation Act 1982/83, would allow the following.

- Provision of assistance in village-level planning, implementation, and evaluation
- Establishment and operation of consumer committees
- Provision of technical assistance for implementation of village-level development plans
- Provision of material assistance
- Evaluation of development efforts of village-level committees
- Linkage with higher levels and provision of information on the problems and needs of the villages

- Development of a spirit of cooperation among adjoining villages and the organisation of seminars and meetings on problems and solutions in the area (Manandhar and Sharma 1986)

The Decentralisation Rules and Regulations of 1984 provided detailed guidance for locating service centres. Service centres were envisaged to have the following characteristics.

- They should be centrally and conveniently located to provide basic services to the people of the Ilaka and should have adequate area for further expansion.
- They should have a bazaar or hat bazaar (weekly market) to fulfil the daily needs of the people.
- They should have at least one school, health post, post office, police office, godown, and cooperative so as to bring about the speedy agglomeration of people and activities.
- They should be within the area development plan of the government.

The implications of service centres for the development of market towns were quite clear. Proper implementation of the idea could have gone a long way to developing small town/market centres as focal points in rural development. However, many questions were left unanswered. It was not clear how these service centres would fit in with and complement the existing hierarchy of settlements, and what would be the size, spacing, and relationship of these centres. There was also a certain haphazardness in the creation of the service centres in each district, particularly when the existing settlement system was not examined and little was known regarding the level and function of market centres and their relationships. Furthermore, it was beyond the capacity of the government to create 675 service centres in 75 districts.

Confusion prevailed about the concept itself. Each sectoral agency thought of service centres in their own way. The location of service centres in many districts was determined on political rather than functional criteria. The service centre seems to have been perceived as independent of potential small town/market centres since a hat bazaar would have sufficed as a service-centre location.

The Eighth Five-Year Plan (1992-97) did not break any new ground regarding the development of small towns and market centres. There is reference to the important role of market centres for rural development but this is not backed by any programmes. Initiatives were limited to the constituting of Town Development Committees and the drawing up of physical plans by the Department of Housing and Urban Development under the Ministry of Housing and Physical Planning.

In 1995, the government, for the first time, laid out a programme of Rural Development through Small Town/Market Centre Development. The idea was to identify market centres in each district with the most potential as the focus of government programmes. The programme had a study component to identify potential market centres and prepare development plans. It had the following specific objectives.

- To map and assess the distribution, structure, and function of small town/market centres and bazaars in terms of infrastructure, accessibility, distribution of population, resource endowment, and provision of central services
- To develop criteria for identifying small towns and market centres and examine their role and the factors influencing/ inhibiting their potential growth
- To identify and map spatial gaps in the provision of basic services and recommend guidelines at the policy level to address the problem

- To look at institutional arrangements that could facilitate the growth of small towns and market centres in the districts

The methodology for assessing small towns and market centres was based on the work on action-oriented assessment of market towns in Dang district conducted by the Central Department of Geography, Tribhuvan University, through an ICIMOD programme. It involved identification and mapping of all settlements, assessment of all market settlements, identification of prominent market centres, and the preparation of development plans for the market towns with the most potential for growth. The development plans were to be guided by the following considerations.

- Development and improvement of rural roads to increase accessibility of rural areas to market centres
- Agglomeration of field offices of line agencies at market centres in order to enhance the centrality of market centres
- Location of basic services such as health, education, and communication at market centres to expand the range of services provided
- Improvement and development of infrastructural facilities at market centres in order to improve the working conditions of the labour force and upgrade the urban environment
- Preparation of physical development plans, land-use plans, and simple bye-laws

The studies focused on the resource endowment of the hinterland from a district development perspective.

## **GAPS IN KNOWLEDGE, POLICIES AND PROGRAMMES**

In its wider sense, the concept of urban development embraces development of a hierarchy of urban areas and the strengthening of urban-rural relations. However, in Nepal, urban development normally translates into development of municipalities. This means, of the 3,970 administrative and development units in the country (village development committees/municipalities), only 58 municipalities will theoretically be covered. However, many lower order administrative units contain one or more small towns/market centres with good potential for development. Our knowledge of such market centres remains limited.

The knowledge gap exists on two fronts. Firstly, little is known about the number, spatial pattern, and magnitude of small towns and market centres in 48 of the 75 districts of the country. Secondly, the task of specifying thresholds in terms of range and magnitude of functions for various ecological and economic zones remains to be done. Even the operational criteria of defining a market centre with a minimum of five, 10, and 20 commercial units in the mountains, hills, and Terai, respectively, still need to be tested.

## **Conceptual confusion**

There is at present considerable confusion among policy-makers and implementers concerning two basic concepts. These are induced vs. facilitated growth, and service centres vs. market centres. These confusions have adversely affected the translation of policies into action-oriented programmes.

The Ninth Five-Year Plan (1998-2002) stresses the need for local development through the promotion of small towns and market centres and includes a programme to identify potential market centres in selected districts. Implicit in this formulation was the



theoretical consideration of market centres as generative centres rather than parasitic locations. Market centre development was envisaged as a strategy for spatio-economic growth that would enhance rural-urban links through flows and interactions of people, goods, and services and stimulate the rural economy. The idea was to facilitate growth through a series of complementary investments. Unfortunately, subsequent formulation of sectoral programmes failed to incorporate this. The programme emphasis points to the importance given to aspects of physical planning rather than hinterland relations.

Another confusion was in terms of market centres compared to service centres. These approaches are interrelated but not similar. The service centre approach as it evolved during the 1980s was limited to the establishment of nine service centres that were effectively to be supply points (for extension, services, and so on) in each district. The service centre was visualised as independent of existing or potential small towns and market centres. The market centre approach, on the other hand, puts emphasis on facilitating the development of specific market towns that show potential for development and can enhance rural-urban linkages.

### **Institutional 'nowhere'**

Market centres are non-municipal, semi-urban areas. There is no institution, at present, to develop and support programmes exclusively meant for market centres. There is a situation of 'institutional nowhere'. In the language of development, geographic space is normally conceptualised in dichotomies such as rural and urban. As a result, the existing institutional set-up of government is such that urban affairs are handled by the Department of Housing and Urban Development while rural affairs are handled by the Ministry of Local Development. The market centre agenda was placed under the jurisdiction of the Ministry of Housing and Physical Planning. However, a clear sense of institutional responsibility concerning the promotion of market centres is lacking. There is, for example, a Town Development Fund Board to finance development projects in municipalities. No such institution exists for market centres and small towns that are not designated municipalities.

### **Policy-programme gap**

A large policy-programme gap exists in translating development policies related to market centres into programmes, and programmes into action. Over five years have elapsed since the approach of 'rural development through small town/market centre development' was accepted. The progress of the programme has not been satisfactory. As requested by the Department of Housing and Urban Development, the Central Department of Geography completed the identification of potential market centres for 18 districts with specific recommendations and plans of action. To date, town development committees have been formed for only six market centres. This may be considered as a positive step towards initiating subsequent actions, but the committees are no guarantee that recommendations will be implemented and that actions will be supported by local and national agencies.

### **Sectoral vs. multi-sectoral issues**

The development of market centres involves a multi-sectoral development agenda. It is also a supra-urban activity. Implementation of programmes demands strong coordination between sub-national institutions of sectoral ministries as well as coordination between central line agencies. In practice, line agencies are largely preoccupied with



executing their own sectoral agenda and any support for multi-sectoral activities for which they are not directly accountable is pushed to the periphery. Experience also suggests that coordination between sectoral institutions at the local level is difficult. In the face of weak bureaucracy at all levels, external interference in programme implementation prevails and the main agenda and rationality (spatial and thematic) is compromised. District-level offices of the ministries have their own agendas while District Development Committees lack human resources and the decentralised mandate necessary for implementing these programmes.

## **Funding**

Funding is one of the main constraints to market centre development. Town Development Committees need funding to introduce activities to facilitate the development of potential market towns. Agencies that support urban development programmes include the Department of Housing and Urban Development, Urban Development through Local Efforts, Town Development Fund Board, Town Development Committees, and Urban Development Training Centre. None of these institutions provides financial support to small town/market centres. The Department of Housing and Urban Development constitutes Town Development Committees but has limited funds to support development. In addition, market centres have, at present, no legal basis for requesting technical and financial support from existing institutions.

## **Geography of market centres**

Studies completed by the Central Department of Geography so far suggest that, in the majority of districts, market centres are unevenly distributed. Areas served by these centres are not uniform in geographic attributes, e.g., area, population, and resources. Their growth process is not uniform. The spread of the road network has a great impact on growth and stagnation of particular locations. Population concentration and agglomeration of business activities are important attributes of market centres. It is through the agglomeration of various activities, supported by physical access and population concentration, that the potential of market centres can be realised. This geography is important if market centres are to be considered a mechanism for inducing a broader process of regional development, and strengthening rural-urban links that benefit a larger number of people (Lipton 1977; Potter and Unwin 1989). This conceptualisation was lost when the market-centre approach was equated with the service-centre approach. The location of service centres in many districts was based on political criteria rather than the geography of market centres.

## ***Ad hocism and duplication***

While the initiative of market centre development indicated in the Ninth Five-Year Plan has remained largely neglected, the government with the support of UNDP has started a special programme of rural-urban partnership. This new programme covers almost the same development activities as envisaged under market centre development. As a consequence, there has been a wasteful duplication of effort.

## **AGENDA FOR THE FUTURE**

Based on the state of small towns/market centres in Nepal and assessment of policies and programme experiences, the agenda for the future should focus on the following.

## Research

- Studies, so far, have defined market centres using criteria of five or more commercial units in the mountains, 10 or more in the hills, and 20 or more in the Terai. These limits are arbitrarily chosen. Research could test whether these criteria need to be redefined and new standards set using additional criteria or modified existing ones.
- A current assumption is that small towns/market centres function as generative centres creating employment and providing commercial and other services, and as centres of socialisation. This assumption needs to be tested.
- Before implementing a comprehensive nation-wide policy regarding market centre development, identification of small towns/market centres for all districts is essential.
- Constrained by resources and time, studies on small towns/market lack methodological rigour. More rigorous studies, particularly with respect to the economic linkages of market centres with their hinterland and with other market centres, are needed.
- The settlement inventory prepared by the Central Bureau of Statistics for Population Census 1991 does not provide complete information about particular settlements. The 2001 census should attempt to include more information on settlement characteristics including census mapping for spatial delineation of settlements.

## Institutions

- Currently, the Department of Housing and Urban Development is the main agency responsible for small towns/market centre policies and programmes. By 1998, identification of such centres had been completed for more than one-third of the country. However, recommendations have hardly been implemented. Part of the reason lies in the lack of adequate resources, both financial and human, within the Department of Housing and Urban Development. There is a need to either strengthen the existing institutions or create a new agency with mandates necessary for handling the issues.

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